

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 NEA-10 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 AGR-20

INT-08 GSA-02 SAJ-01 IGA-02 STR-08 DODE-00 PM-07 H-03

L-03 NSC-10 PA-04 PRS-01 SS-20 USIA-15 DRC-01 /228 W

----- 108916

R 281130Z DEC 73

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 363

INFO AMEMBASSY KUALA LUMPUR

AMEMBASSY LONDON

AMEMBASSY NEW DELHI

USLO PEKING

AMEMBASSY RANGOON

AMEMBASSY SINGAPORE

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EO 11652: N/A

TAGS: ETRD, EAID, CE,

SUBJ: SRI LANKA OBTAIN 200,000 TONS RICE IN

1974 GSL-PRC RICE/RUBBER BARTER AGREEMENT

1. T B ILANGARATNE, MINISTER OF FOREIGN AND
INTERNAL TRADE JUST BACK FROM NEGOTIATIONS IN PEKING
HAS OUTLINED TERMS OF 1974 GSL-PRC RICE/
RUBBER BARTER AGREEMENT (RRA) CONCLUDED LAST
WEEK. SRI
LANKA WILL IMPORT 200,000
TONS RICE, OF WHICH 40,000 TONS ARE DESCRIBED AS

"OUTRIGHT GIFT", 30,000 TONS TO BE PAID FOR BY
SRI LANKA'S 1973 TRADE SURPLUS WITH PRC, AND
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130,000 TONS TO BE BALANCED BY SRI LANKA EXPORT

TO PRC OF 40,000 TO 50,000 TONS OF RUBBER. PRC
WILL PAY A PREMIUM FOR RSS 1 AND APPROX
US \$500,000 FOR FREIGHT AND HANDLING CHARGES.

2. FISCAL ASPECTS OF 1974 BARTER AGREEMENT REMAIN
UNCLEAR. COST OF RICE IMPORTS FOR SRI LANKA WILL BE
BASED ON PRICE ESTABLISHED FOR PRC RICE PURCHASES IN
SPRING 1974 PRC-BURMA NEGOTIATIONS. RUBBER EXPORT
PRICES WILL REFLECT SINGAPORE QUOTATIONS FOR SHEET
RUBBER AT TIME OF DELIVERY. GSL ANTICIPATES WORLD
RICE PRICE DECLINE FROM PRESENT US \$360 PER TON PRIOR
TO PRC-BURMA NEGOTIATIONS, AND GSL HOPES TO OBTAIN
US \$800 TO US \$920 PER TON FOR SHEET RUBBER SALES TO
PRC. (OUR SOURCES, HOWEVER, BELIEVE RUBBER
PRICES ARE NOT LIKELY TO EXCEED US \$880 PER TON RANGE.)
PRC RICE GIFT AT CURRENT PRICES IS ESTIMATED AT US
\$14.5 MILLION. NO RELIABLE PRC-GSL TRADE FIGURES
FOR SECOND HALF OF 1973 YET COMPILED; JAN-JUNE
1973 POSTED US \$3 MILLION
SRI LANKA TRADE DEFICIT
WITH PRC, BUT THERE IS SOME EVIDENCE THAT 1974 EXPORTS
TO PRC WERE DELIVERED LATER THAN IN PAST AND SRI
LANKA MAY POST TRADE SURPLUS OF UP TO US \$6 MILLION FOR
1973. RRA ALSO INCLUDES PROVISIONS FOR SRI LANKA TO
IMPORT COTTON TEXTILES, TEA CHESTS, CHEMICALS, PARAFFIN
WAX AND PAPER PRODUCTS FROM PRC. PRC COULD NOT MEET
GSL REQUESTS FOR PETROLEUM,
FERTILIZERS, AND FERROUS METALS THIS YEAR.

3. COMMENT: SR* LANKA'S OBLIGATIONS TO PRC UNDER NEW RRA REMAIN
UNCLEAN PENDING RICE PRICE DETERMINATION, BUT GS* DECISION TO
OBTAIN 200,000 RATHER THAN 100,000 TONS RICE DURING 1974 RE-
FLECTS INCREASING CONCERN WITH PROSPECTS FOR SPRING (MAHA)
1974 DOMESTIC RICE HARVEST AS WELL AS INCREASED RICE REQUIRE-
MENTS IN WAKE OF DECISION TO PROVIDE ADDITIONAL SUPPLIES UNDER
RICE RATION SCHEME (COLOMBO 3134). FORTY THOUSAND TONS RICE
COMMITTED UNDER 1974 AGREEMENT HAV* ALREADY BEEN SUPPLIED,
AND GOVERNMENT CONTENTION WHAT REMAINING 160,000 TONS WILL
MEET "ENTIRE UOPORT REQUIREMENTS FOR 1974" PRESUPPOSES MUCH
LARGER DOMESTIC HARVEST THAN WELL-QUALIFIED OBSERVERS PREDICT.
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FURTHERMORE, IF WORLD RICE PRICES REMAIN HIGH, SRI LANKA MAY
BE EXPECTED TO DELIVER 70,000 RATHER THAN 40-50,000 TONS
SHEET RUBBER DURING 1974, WHICH, IF IMPLEMENTED, WOULD
VIRTUALLY HALT SHEET RUBBER SALES ELSEWHERE. SIZE OF AGREE-
MENT SEEMS LIKELY TO RETARD FURTHER ANY MOVE FROM SHEET TO BLOCK
RUBBER PRODUCTION; DEPENDENCE ON PRC AS MARKET FOR SHEET MAY
INCREASE AS OTHER RUBBER IMPORTERS CONTINUE SHIFT TO BLOCK.
BANDARANAIKE MINISTRY LIKELY TO EMPHASIZE GIFT OF 40,000 TONS

RICE AS DEMONSTRATION OF VALUE OF PRC FRIENDSHIP. INCREASED
RICE SUPPLIES, WHATEVER VIOLENCE DONE TO SUMMER 1973 PLEDGES
TO REACH SELF-SUFFICIENCY IN FOODSTUFFS IN 1974, MAY EASE
IMMEDIATE OPPOSITION TO FOOD RATION REDUCTIONS. PROBLEM OF
MEETING HEAVY BUT AS YET UNDERTIMED RUBBER COMMITMENT WILL
BE FACED LATER.

4. TEXT OF COMMUNIQUE BEING POUCHED
(A-281).
BYRNE

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